Transport

Lessons from the Last Decade

William Rickett

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RAC Foundation
89-91 Pall Mall
London
SW1Y 5HS

Tel no: 020 7747 3445
www.racfoundation.org

Registered Charity No. 1002705

This report has been prepared for the RAC Foundation by William Rickett. The report content is the view of the author and does not necessarily represent the views of the RAC Foundation.

William was Director General, Strategy, Finance & Delivery in the Department for Transport between 2000 and 2004. He has fifteen years of Board level experience across five UK Government departments, focusing on energy and transport, and was most recently Director General in the Energy Group of DECC. He worked in 10 Downing Street for Margaret Thatcher and in the Cabinet Office for Tony Blair. He is now a senior adviser with Cambridge Economic Policy Associates.

Introduction

A quick glance at the manifestos of the coalition government might have suggested that the most pressing problem of transport policy was the proposal for a third runway at Heathrow, and that the solution was to build a high speed rail network. Yet demand at Heathrow is not the most pressing problem of transport policy and, even if it were, a high speed rail network is not a complete solution.

A closer look at the coalition agreement reveals some proposals that could add up to a policy, a strategy designed to deliver better outcomes, rather than a series of initiatives. But the hard truth is that public spending determines much of transport policy. So the decisions on spending this autumn will effectively determine the shape of transport policy for the next decade.

The “Spending Review Framework” published in June by the Treasury says the Government “will protect as far as possible the spending that generates high economic returns”. Transport spending has historically been seen as easier to cut than spending on health, education or welfare, yet it can offer very good economic returns for the taxpayer. So what are the lessons from history that Ministers need to remember this autumn as they contemplate cuts in the transport budget of some 25 to 40%?

The Central Issues of Policy

The central problem of policy is that demand for all kinds of transport grows as the economy grows. So the amount of travel, measured in passenger kilometres, has risen nearly four times since 1950. The same is true of freight transport. Given likely future growth in population, households and national income, transport demand is likely to continue to grow, though possibly at slower rates relative to GDP.

The central task of policy is to deal with the effects of this growth in demand. It has effects on travel itself, such as congestion on our roads, overcrowding on our trains and planes, and the increasing unreliability of journeys that comes when demand is close to capacity. It has effects on the environment, on air quality, climate change, and the loss of tranquillity and landscape. It has effects on safety and security, whether road or rail accidents or managing the threat of terrorist attack. And it has social effects, as the less well off find their communities excluded by poor access to transport.

The opening paragraph of the Transport White Paper of 1966 explained that dealing with the impact of transport demand, especially for road travel, was the central task of policy, and this has remained true ever since. But it is not clear that policy has ever found the right answer.

The Policies of the last Fifty Years

Perhaps it is a caricature, but the policies of the last fifty years could be said to fall under three headings.

The first is “predict and provide”. The future growth of transport demand is predicted and plans are made to provide additional capacity, whether by road, rail, air or sea. Some of the impacts are dealt with by improvements in technology, so that better engines, fuels, tyres, and other developments reduce the impact on air quality, climate, noise, safety and security. But the growth in demand proves remorseless. New capacity provides some relief from congestion and overcrowding. But roads, trains and planes eventually “fill up”. The building of new roads, railways and airports gets a bad name and is seen as unsustainable and sometimes unaffordable, especially when public spending is tight. Voices argue that it is “time for a change”.
Policy shifts to what might be called “planning and public transport”. Little or no provision is made for new road or airport capacity. The aim is to reduce the need to travel by using planning policy to put homes close to shops and places of work. And the emphasis is put on walking, cycling and public transport, usually with an emphasis on the railways. The environmental damage caused by new roads or airports is avoided. But again the growth in demand proves remorseless. Planning policy, affecting only new development, takes too long to change patterns of travel. And public transport has difficulty in accommodating any shift from road travel. Road congestion grows faster, the buses become unreliable and the railways become overcrowded. Businesses complain and the voice of the motorist is raised. It is time for a change again.

Sometimes, a third approach is tried, which might be called “tactical investment”. No grand, national plan or strategy is adopted. Instead, the focus is on maintaining the existing transport infrastructure and services and making relatively limited new investments appraised against a few key goals. Occasional, “iconic”, investments may be given a high profile.

The Brutal Facts

One problem is that these policies ignore a brutal fact. Rising national income creates growing demand for transport. But the relative prices of different kinds of transport help determine which “modes” of transport meet that growing demand. And the fact is that, although the real costs of running a car have risen, the overall price of motoring has been falling for years, because the increases in running costs have been more than offset by the rapidly falling costs of buying a car. Meanwhile the price of public transport has been rising with earnings. Since 1980, national income has doubled in real terms; bus, coach and rail fares have risen by 50%; and the overall cost of motoring (vehicle purchase, maintenance, petrol & oil, tax and insurance) has fallen by 20% (Reference: Transport Trends 2009 – Trend 2.6b). So it is not surprising that transport demand has grown and that most of this growth has translated into growth in road transport by car, van and lorry. Travel by car, van and taxi now accounts for some 85% of passenger transport, compared to 7% for the railways. Sixty years ago, buses, coaches and trains accounted for 60%. The figures for freight tell a similar story.

The consequences of this are inconvenient for policy makers. It means that “planning and public transport” cannot, by itself, be an answer to the problem of growing demand, any more than “predict and provide” or “tactical investment”. This is because shifting, say, 10% of road travel onto the trains would generate a 100% increase in rail demand. The same is true of shifting travel from cars to buses. We

have seen this happen in the last ten years or so. Demand for rail travel has risen sharply as road congestion has shifted relatively small numbers of road journeys onto the railways. Demand for buses in London has risen dramatically as large increases in bus subsidy, and to some extent the congestion charge, have shifted journeys out of cars.

The fact is that inner London is the only urban area where public transport, whether rail, Tube or bus, accounts for the majority of journeys. In other urban areas, buses offer some alternative, but cars still account for some three-quarters of journeys to work. In rural areas, public transport is no alternative to the car. Rail travel is effective for London commuting and offers an alternative to roads and short haul flights for intercity travel but the subsidy from the taxpayer has risen significantly in the last ten years and has come to dominate public spending on transport.

As for overseas transport, air is the dominant mode for passenger travel while 95% of the goods consumed or produced in the UK come and go by sea. And it is worth bearing in mind that only about an eighth of the overseas flights made by UK residents are for business, so new technologies like videoconferencing are unlikely to have a large impact on air travel.

The inconvenient fact is that there is no simple market solution. Demand for transport tends to rise with national income but the price of transport modes, and the provision of additional road, rail, port and airport capacity, depend heavily on Government.

Some Economics

Faced with these facts, the Department for Transport did quite a bit of work in the run up to its 2004 White Paper looking at what would be an economically optimal transport policy.

There are essentially two ways to approach this. One is to assume an unlimited budget, where the only constraint is that the costs to the economy of further taxation to raise money (the “social costs of exchequer funding” or “SOCEF”) must be outweighed by the economic benefits of transport spending. The other is to assume a constrained budget, where the issues will be more about the prices of all types of transport, a much more limited set of investments and the balance between funding from taxpayers and from transport users.

The Department followed the first approach and assumed that the only budget constraint was that SOCEF must be outweighed by the economic benefits of transport spending. The results suggested that an economically optimal strategy could reduce congestion significantly, increase bus patronage, reduce emissions, and increase national income. By raising additional sums from motorists, it would also strengthen the public finances. Clearly some of the assumptions made nearly ten years ago have changed and, in particular, the assumption of a largely unconstrained budget is completely unrealistic. But it is worth pondering the results of this work.

In this optimal policy, the price of all forms of transport would be adjusted to reflect the costs imposed on society. These costs are partly environmental – such as air quality, climate change and noise - and would be reflected in transport prices either by imposing transport taxes, such as fuel duty or air passenger duty, or environmental taxes like a carbon tax. But the big “transport” costs, like congestion and overcrowding, would be reflected in road user charges, rail and plane fares.

This optimal strategy recognised that most travel is by road and that investment in road capacity can make very good economic sense. But it also sought to address the widening gap between the price of motoring and the price of public transport and the large mismatch between the price of motoring and the social marginal costs of travel for different types of roads. It recognised that the need for extra road, rail and aviation capacity depends on the prices charged for these modes of travel and vice versa. In the absence of road user charging, the economics says you need much more investment in roads and more subsidy for public transport.

So the elements of this optimal strategy were

- Road user charging, which would reflect the costs that traffic imposes in terms of congestion and pollution. The charges would vary according to time, place and levels of congestion. In general, traffic on busy roads, at busy times, as in cities, would pay more. Traffic on uncongested roads, as in rural areas, would pay less. Overall, motorists would pay more because motoring taxes did not then cover the congestion and other costs they imposed. Part of the additional proceeds would be used to help the less well off.
- Higher levels of investment in new road capacity, both on trunk roads and in urban areas, as well as the effective maintenance of existing road capacity. The strategy recognised that the optimal level of investment in new capacity is sensitive to the value attached to landscape, townscape, and other environmental impacts, on which the evidence is disputed. High values would reduce the case for new road investment significantly – as would measures to reduce the impact by proper design, tunnelling, and low noise surfaces if these proved expensive. But one thing was clear. The optimal level of additional capacity was lower if road user charging were introduced.
- Improvements to bus services, in the form of lower fares and more frequent services. The economic case for this applied only in certain congested urban areas. It would require more subsidy from the taxpayer but, if properly targeted, would increase overall welfare. In the presence of road user charging, the economically optimal level of subsidy would be significantly lower than without it. London has in fact shown what a combination of congestion charging and bus subsidy can achieve. The precise level of subsidy for fares and services would depend on local circumstances.
- A different pattern of rail services, with more capacity in the South East and possibly some closures elsewhere of the most lightly used services. Changes to services would change the optimal level of fares, since these would reflect the level and pattern of overcrowding. At the time, the analysis suggested that the overall average fare would be lower, requiring an increase in subsidy. But on the most overcrowded services, optimal fares would be higher than the average.

- More investment in “soft” travel measures, such as better real time information, green travel plans, park and ride, and so on, which appeared to have high benefit cost ratios if properly implemented.

Such a strategy was calculated to reduce congestion and increase national income. Total traffic levels, and carbon emissions, were forecast to be very slightly lower but traffic would shift to less busy roads and times, so improving noise and local air pollution. Even after increases in bus and rail subsidy, the exchequer was forecast to gain, provided the assumptions for the cost of installing road pricing, and for the significant extra revenue it was forecast to generate, held good.

In the real world, of course, there are other considerations that have to be taken into account. These include the practicality of introducing national road user charging, the acceptability of increasing the price of motoring, and – especially nowadays – the constraints on increasing both taxation and public expenditure. There are the genuine economic uncertainties around the value of landscape, townscape, tranquillity, and air quality. And in the last ten years the social cost attributed to carbon emissions has been revised upwards very substantially, at least for the period beyond 2020. The work was also silent on the important questions of the unit costs of new investment, whether road or public transport, and the operational efficiency of public transport. But many of the lessons – the importance of pricing the different types of transport correctly, the importance of investing in capacity where the economic returns are greatest, and the case for not forgetting public transport operating subsidy – still apply.

The Last Decade

So how did some of the policies of the last decade or so measure up against this formula for an economically optimal policy and what are the lessons for the Spending Review?

The 1998 White Paper – A New Deal for Transport : Better for Everyone

John Prescott’s White Paper promised much: “There is now a consensus for radical change in transport policy. The previous Government's green paper paved the way with recognition that we needed to improve public transport and reduce dependence on the car.”

The White Paper was perhaps a good example of the “planning and public transport” school of policy: “Simply building more and more roads is not the answer to traffic growth. ‘Predict and provide’ didn't work..... Bus and rail services have declined whilst traffic growth has resulted in more congestion and worsening pollution..... The main aim of this White Paper is to increase personal choice by improving the alternatives and to secure mobility that is sustainable in the long term....Better public transport will encourage more people to use it....The priority will be maintaining existing roads rather than building new ones and better management of the road network to improve reliability.”

In some respects, the White Paper and the subsequent legislation were radical. They

- encouraged better local planning through the introduction of five year Local Transport Plans;
- gave local transport authorities new powers to introduce congestion charging and workplace parking levies;
- gave them powers, in prescribed circumstances, to re-regulate bus services through “Quality Contracts”;
- established a series of “Multi Modal Studies” to look at the most serious transport problems across the country and to see if there were solutions that did not involve new road capacity, which was a good idea in theory if not in practice (see below);
- deferred most new road schemes pending the results of these studies, with the focus of road spending shifted to road maintenance and better management of the existing network;
- led to the production of a new Planning Policy Guidance Note on transport (PPG13) which sought to promote patterns of development that require less car travel and encourage walking, cycling and the use of public transport;
- established a Strategic Rail Authority to replace the Office of Passenger Rail Franchising, with a wider remit to promote the use of the railways.

Contrary to popular belief, the White Paper did not set targets for reducing traffic. Instead, it set up a Commission for Integrated Transport (CfIT) and, among other things, asked the Commission to advise on the setting of national traffic targets. In the event, CfIT recommended that the Government should not set targets for reducing traffic itself but for tackling the adverse effects of traffic, such as congestion and pollution.

The problems arose in the execution of the policy

- The Government had committed itself to the previous government’s spending plans which made little provision for new investment in infrastructure or for subsidising public transport;
- Local authorities proved reluctant to use the new powers to introduce congestion charges or parking levies and unable to use the powers to regulate bus services. In the absence of price signals to discourage road traffic, Planning Policy Guidance struggled to have much effect. The gap between motoring and public transport costs continued to widen;
- The Multi Modal Studies were not given any budgetary constraints, which subsequently led to the production of recommendations which were unrealistic and unaffordable;
- The SRA and the Department soon began to disagree about the level and priorities for spending on the railways;
- The introduction of Local Transport Plans (LTPs) improved planning at local level but did nothing to encourage prioritisation at regional level or to address the problem of how to deal with cost overruns on large local projects.

The policy was “sub-optimal” in the sense that it did not introduce road user charging, did not invest in any road capacity, and did not increase bus subsidy. As

traffic congestion rose, business and motoring interests called for change. The Comprehensive Spending Review of 2000 provided an opportunity.

Transport 2010: The Ten Year Plan for Transport

The Ten Year Plan for Transport, published at the end of the spending review in July 2000, was presented as a plan for delivering the 1998 White Paper: "*Transport 2010* is a ten-year route map to take us towards the goals we set for ourselves in the Manifesto and the Integrated Transport White Paper. It takes a realistic view of the challenges we face and presents an ambitious vision of what we can achieve by 2010. By taking a long-term view, the Plan will bring greater certainty and coherence in decision-making. It will provide a stable framework against which planning and investment decisions can be made".

In reality, it was a small step closer to a more optimal policy:

- It was based on analysis produced by the Department's first National Transport Model, developed from the previous Road Traffic Model, and set the first targets for reducing congestion;
- It identified as a problem the widening gap between the costs of motoring and public transport and illustrated what could be achieved by the introduction of national road user charging. But it said that decisions would have to await a number of developments, including the recommendations of the Multi Modal Studies and the results of technical studies of charging technologies;
- It made long term provision for investment in additional road capacity, with decisions on particular schemes to flow from the Multi Modal Studies;
- It also made long term provision for increased expenditure on rail and public transport, especially in London, with overall public spending on transport rising in line with economic growth.

But there were a number of problems of policy and execution:

- For wider reasons of public spending policy, much of the additional expenditure was capital. So, other than in London, there was no provision for additional bus subsidy. The Plan did not therefore do enough for the less well off and socially excluded.
- The Plan still made the mistaken assumption that local authorities would use their powers to introduce congestion charging and parking levies. And it deferred a decision on road user charging.
- Its plans for rail spending underestimated the increase in Railtrack's income subsequently agreed by the Rail Regulator, as well as the impact on rail spending of the serious accidents at Ladbroke Grove and Hatfield. Its plans for road spending were undermined by decisions by the NAO and ONS to reclassify private sector spending on PFI road schemes as public expenditure. Its plans for local transport spending underestimated the demands for extra spending subsequently made by the Multi Modal Studies. The transport strategy agreed with the London Mayor proved more expensive than expected. And, in general, the Plan was over-optimistic on the unit costs of road, rail and local transport infrastructure.

As a result, the main differences between the Plan and what happened in reality were

- While the overall total of transport public spending for the plan period was honoured by the Treasury, more than planned was spent on London and on the railways and less than planned on roads and local transport.
- Fewer outputs, such as light rail schemes or road improvements, were delivered than planned because costs were higher than assumed. Traffic growth was also stronger than forecast. So many of the targets, such as those for congestion, were not hit.

John Prescott's Plan did at least set out a clear route map for road, rail and local transport in Great Britain. But it became clear quite soon that there were gaps opening up between the Plan and reality, most immediately on rail costs. The conversion of Railtrack into Network Rail by John Prescott's successor, Stephen Byers, was partly an attempt to control these costs. But by 2003 it was clear that a review of the rail industry was needed. Meanwhile, progress had been made by the setting up of a project to introduce road user charging for lorries; by establishing a wider feasibility study on road user charging; by a study of social exclusion that recommended increased bus subsidy and a return to bus regulation; and by the first Aviation White Paper for thirty years. The introduction of the Congestion Charge in London was, and remains, a major landmark in transport policy. By the time the Rail Review and Road Pricing Feasibility Study were set up by Stephen Byers' successor, Alistair Darling, Ministers were clear that they needed to move on from the strategy in the 10 Year Plan to a longer term and more comprehensive policy, to be set out in a White Paper in 2004.

The Future of Transport – 2004

This sought to set out a strategy for thirty years. And again it was another step towards a more optimal strategy:

- The White Paper announced that "Government will lead the debate on road pricing. We will work with stakeholders to establish how and when pricing might provide the reliability and standards road users want." The report of the feasibility study of road pricing was published alongside the White Paper. It proposed a geographical approach to the introduction of road user charging, starting with local congestion charging in the largest and most congested cities. The project to introduce lorry road user charging was cancelled.
- Incentives were to be offered from a "Transport Innovation Fund" to local authorities willing to introduce a package of congestion charging and increased subsidy for buses, delivered through the reregulation of services ("Quality Contracts"). In other words, the policy adopted in London was offered as a model.
- The SRA was abolished and its functions absorbed by the Department. Ministers also took powers to control the impact of the Rail Regulator's decisions on public expenditure by specifying the nature of the rail network to be funded by track access charges.

- The local transport funding regime was reformed. Part was in future to be allocated through the “Transport Innovation Fund”. The rest was allocated not to local authorities but to regions, in the form of “Regional Funding Allocations”, and the regions were required to prioritise the local allocations. A number of local tram schemes suffering from cost overruns were cancelled.
- The White Paper extended to shipping and ports and incorporated the conclusions of the 2003 Aviation White paper.

Problems in the execution of the policy remained. In particular, the Transport Innovation Fund (TIF) was only to kick in from 2008/9 and was only planned to grow to £930 million by 2010/11, by which time it had been abolished. Only £18 million was made available between 2005/6 and 2007/8 for preliminary planning for schemes to be funded from the TIF. For this and other reasons, the incentives for local authorities to introduce congestion charging and regulated bus services proved inadequate to overcome local opposition. Nor was it clear how any transition could be made from a number of local congestion charging schemes to a single national road user charging scheme. Perhaps understandably, the White Paper left this issue to be addressed later once progress had been made locally.

Towards a Sustainable Transport System – Supporting Economic Growth in a Low Carbon World – 2007 onwards

Policy since 2007 has been heavily influenced by the report published by Sir Rod Eddington at the end of 2006.

This advocated a “focused approach”, targeted on congested cities, inter-urban links and international gateways. It concluded that national connectivity was good, and saw no need to create new transport links or to seek dramatic reductions in journey-times between cities. It concluded that before investment in new infrastructure was considered, other options should be explored – including pricing, regulation and traffic management. And it recommended reform of the land use planning system so that the strategic national case for transport infrastructure would be given more weight in decision making.

In response, the Government put in train the reform of the planning system and adopted an approach that focused on the process for deciding where best to apply public funding to solve transport problems: “We have a pragmatic strategy for moving forward. We will tackle immediate priorities in ways that, as far as possible, also move towards our five underlying goals. Where we have identified a clear requirement, we will continue to tackle longer term issues as well, while seeking to build in flexibility to adapt to changing circumstances and exploit opportunities, for example from new technology.”

The five underlying goals were identified as

- Maximizing competitiveness and productivity
- Reducing CO2 and greenhouse gas emissions
- Contributing to better health, longer life-expectancy and lower risk of death, injury or illness

- Improving quality of life
- Promoting greater equality of transport opportunity for all.

The policy aimed to apply public funding in a way that maximized returns against these five goals. It was an essentially geographical and pragmatic approach, not one based on national solutions like across the board road user charging or the regulation of bus services. In that sense, the government's response to the Eddington report marked a watershed in transport policy.

A geographical approach recognizes that the right solution to transport problems is often heavily influenced by local circumstances. But it can divert attention from solutions that are national in application, such as road user charging. And, in the absence of road user charging, it can suggest solutions that may not be optimal. Yet, in fact, Sir Rod Eddington's report said that "the potential for benefits from a well-designed, large scale road pricing scheme is unrivalled by any other intervention".

The Next Decade

So what should be the approach for the next decade, a decade in which public spending will have to be cut severely?

The Coalition Agreement says that a modern transport infrastructure is essential and also that we need to make our transport sector greener and more sustainable. Yet, perhaps understandably, there is not much detail in the agreement on how this will be achieved.

Much of the agreement is about the railways: granting longer franchises to train operating companies; making Network Rail "more accountable to its customers"; turning the rail regulator in a "powerful passenger champion"; being committed to "fair pricing" for rail travel; "supporting" Crossrail and further electrification of the network; and, last but not least, establishing a high speed rail network for the whole of Britain, albeit in "phases" because of financial constraints.

Some of it consists of small and largely unexceptionable initiatives, such as reforming the way decisions are made on transport projects, and supporting sustainable travel initiatives. Some are "pro motorist" initiatives, such as switching away from road safety cameras, tackling "rogue" private sector wheel clampers, and stabilizing fuel prices. Some are driven by environmental concerns, such as "mandating" a national recharging network for electric and plug-in hybrid vehicles or cancelling the building of any new runways at London airports.

The agreement contains little on the rationale for these measures and, until the Spending Review is complete, it is perhaps impossible for the coalition to set out a fully worked through policy.

The past may not be a good guide for the future, especially where circumstances are different. But there are some lessons from the past decade that are worth considering as policy is developed and decisions are taken on spending:

- Public spending on transport is barely one fifth of spending on the NHS. And, historically, it has suffered at times of fiscal austerity, partly because it is easier to reduce capital spending on transport infrastructure than revenue spending on the health, education and other public services. Such cuts were often presented as environmentally friendly. Yet transport spending, both capital investment in infrastructure and operating subsidy for public transport, can offer high economic returns if it is properly targeted. The Chancellor's decision in his June Budget to protect capital spending is welcome, but it is only a promise to protect capital spending from further cuts on top of the large cuts imposed by the last Labour Government. And current spending on operating subsidy for public transport should not be forgotten, since it too can have high benefit – cost ratios.
- Private finance and "public private partnership" schemes are not an alternative to public spending. They do not reduce the overall public spending requirement unless the higher cost of private finance is offset by efficiency savings. In general, their effect is to push the taxpayer's liability into the future, requiring a long term stream of payments to the private sector source of finance.
- Subsidy for the rail industry, especially for Network Rail, is a significant part of transport spending. The taxpayer's contribution has risen from £2.3bn in 1993/94 to £5.2 bn in 2008/9 and from about 20% of rail revenue in 1995/6 to about 50% now. Costs per passenger train-km were about 40% higher in 2008/9 than in 1996/7. So there is an unresolved issue about cost control which surely needs to be tackled before any large scale commitment to new capacity. It is currently being addressed by Sir Roy McNulty's review of rail costs, which has pointed to European benchmarks that suggest there should be scope to reduce UK network costs by 30-50% and train operating costs by 20 to 40%. While costs are an issue, the success story for the railways has been the significant growth in patronage since privatisation, after years of decline in the public sector. So while costs have risen 40% per train-km, they have risen 10% per passenger-km. The last government was inclined to denigrate the role of the private sector in the railways. It is perhaps time to give the private sector a greater role in driving the future strategy. Cost control, patronage growth, and fares, are likely to be part of that strategy.
- Reductions in road or rail maintenance spending are usually a false economy, unless they reflect genuine efficiency savings, because allowing an asset to fall into disrepair will eventually lead to higher maintenance and renewal costs. In times of austerity, the maintenance of existing networks and existing services may be all that can be afforded, though targeted investment in the most problematic areas is likely to offer high returns.
- Theory, as reflected in the work done by the DfT and by Sir Rod Eddington, says that the investment required in road capacity, and in public transport subsidy, to reduce congestion and pollution, and improve transport outcomes, will be lower if road user charging is introduced. Indeed, decisions on spending cannot be divorced from decisions on the pricing of all transport modes, including rail, Tube and bus fares.
- As for CO2, the principal source in the transport sector is road travel and the principal remedy is to ensure fuel duty continues to reflect the cost of carbon

emissions, coupled with mandatory improvements in the fuel efficiency of vehicles.

The vast majority of travel, including a lot of our public transport, takes place on the roads. So policy will have to say as much about this as about runways and high speed rail.

The fact is that Heathrow is operating at some 99% of capacity, which increases the level of flight stacking, the unreliability of flight times, and the level of noise pollution and carbon emissions. So there would be a case for building a third runway even if the number of flights were not forecast to grow. The level of emissions and noise is a separate issue. Both could be capped, as indeed will be partly the case when aviation is included in the EU emissions trading scheme. There is also the issue of local air quality, which is likely to require controls on local road traffic. But the government is of course entitled to make a commitment that there will be no new runways. The result will be to shift air traffic to routes that go via the continent, probably with some increase in emissions but less impact on noise.

The benefits of High Speed Rail are likely to be more in time savings for rail users than in reducing motorway congestion, carbon emissions or demand for air travel. Given the capital cost per mile, especially for tunnelled sections, spending on a high speed network is likely to be an issue beyond the current spending review.

The biggest unresolved issue is road user charging. There is a case for saying that there is no rational transport policy without it. It would go some way to closing the gap between the price of motoring and the price of public transport. In theory, it would encourage a shift to less crowded times and routes for road travel, a return to higher levels of car occupancy, a shift to trains and buses, as well as to walking and cycling, and changes in the location of housing, shops and employment so as to reduce the need to travel. In rural areas, where cars are the principal means of transport, it would reduce the price of motoring.

But, in practice, such a policy has been easier to describe than to implement. Road user charging has been on the transport agenda for fifty years or more. Various governments have committed themselves to introducing some form of road pricing. And yet the London congestion charge is the only serious example in the UK.

In 2000, the last government gave local authorities the powers to introduce local congestion charging. In 2004, it adopted a policy of encouraging local authorities to use these powers by offering them larger grants and control over local bus services if they did so. But the unpopularity of congestion charges won the day. Motorists apparently prefer sitting in traffic jams to better bus and tram services and to supporting congestion charges which they could in fact avoid by shifting the time and route of their journeys. Understandably, local politicians are unlikely to court such unpopularity in their constituencies unless it is enforced by central government or perhaps unless the incentives are larger than have so far been offered.

One way of making progress might be to start by introducing road user charging for lorries, in the same way as Germany. Lorries would pay a charge varying with time and place so as to reflect levels of congestion. And they would enjoy a reduction in

fuel duty. Once the technology had been proven on lorries, motorists could be offered the chance to switch to the road user charge and lower fuel duty. This would effectively offer lower overall charges to anyone in rural areas, and to anyone who did not drive in cities or at peak times on motorways. So there should be reasonable take up. Those who did not switch could be progressively persuaded to do so by raising their rate of fuel duty or by fixing a date for a compulsory switchover. The downside to this approach, however, would be the potential loss of revenue in the initial stages as the people who stand to gain switch to a system offering lower charges.

An alternative approach is set out in RAC Foundation's report, "Governing and Paying for England's roads", by Professor Stephen Glaister. The report points out that population growth, and a return to economic growth, offer the prospect of more traffic and more congestion while public spending constraints mean a bleak future for public investment in road capacity. It suggests that the only credible answer is to create a separate roads body: independently regulated, free to borrow on the money markets, with the ability to levy direct road-user charges and an obligation to maintain the network to a specified standard and to enhance it to an approved programme. The report argues that any road user charging scheme must be accompanied by cuts in, or the abolition of, fuel duty and road tax.

There are anyway good fiscal reasons for introducing road user charging. Revenue from fuel duty is declining as vehicle fuel efficiency rises. Fuel duty will anyway need replacing when electric vehicles become more widespread. As the RAC Foundation Report suggests, road user charging offers the opportunity of privatising the road network and its management. And, in a world of fiscal consolidation, it has the great advantage of reducing the need for spending on new capacity and public transport subsidy. Although it is perceived as an anti-motorist measure, it is, ironically, a pro-motorist policy. The problem has been convincing people of this and winning acceptance, which is why it needs a long term approach in which it can be demonstrated that the technology works and that the policy offers real benefits.

There is a commitment to introduce lorry road user charging in the Coalition Agreement. Provided this is a commitment to charge lorries by time, place and distance, as in Germany, then it may be an encouraging first step in a new direction. If it is just a scheme to introduce paper permits, or "vignettes" for lorries, as in other parts of Europe, then it is a lost opportunity. The time has come for a new policy, not just for a new politics.